



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0310	Title:	Provide unemployment benefits to certain school employees
Primary Sponsor:	Whitford, Lea	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Other	\$12,812,310	\$13,015,680	\$13,422,420	\$13,829,160
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other	\$11,262,510	\$11,441,280	\$11,798,820	\$12,156,360
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 310 provides unemployment insurance benefits to non-instructional school employees between academic terms. The bill is effective upon passage and approval which means school employees could receive benefits beginning in late May or June 2015.

FISCAL ANALYSIS

Assumptions:

Department of Labor and Industry (DLI)

- For purposes of this fiscal note, the total number of 32,947 total school employees excluding the Montana University System (MUS) and the Montana School for the Deaf and Blind (MSDB) employees is used. Of the total amount, 29,796 school employees work for reimbursable employers, 1,403 employees work for governmental employers, and 1,748 employees work for private experience rated employers.
- The Montana University system (MUS), a governmental employer, has 3,500 classified employees of which 350 are seasonally employed and may apply for benefits if this bill is enacted.
- The School for the Deaf & Blind (MSDB), also a governmental employer, has 97 employees, of which 29 are seasonally employed and may become potential applicants.
- The typical duration between academic terms is 11 weeks. Thus, the total number of weeks that unemployment insurance benefits could be collected is 10 weeks (11 weeks less 1 non-paid waiting week).

5. The department estimates the potential workload increase will not require additional staff, as the department typically receives numerous inquiries or claims filed by school employees between school terms, even though these employees are not eligible for benefits under the current law.
6. Data indicates 60% of the school employees are instructional (certified or professional) and 40% are non-instructional. For this fiscal note, 40% was used as the percentage of non-instructional employees, except in the case of the Montana University system and the School for the Deaf & Blind, where actual seasonal employee counts were used.
7. It is estimated that 50% of the eligible employees would apply for benefits based upon information requests for similar bills introduced in prior legislative sessions.
8. For purposes of this fiscal note, the department estimates an average annual wage of \$14,700, which computes to a weekly benefit amount of \$186 per week.
9. The growth rate for the weekly benefit amount is estimated to grow 1.5% annually for FY 2016 and FY 2017 and increase to a 3% growth in FY 2018 and FY 2019.
10. There are three types of school accounts. Each has a different impact on school costs arising from this bill:
 - a. Governmental: There will not be an impact on governmental employer rates until FY 2017 due to the timing of calculations affecting governmental rate schedules. Governmental rates would not be impacted until this bill's changes in 2015 have an effect on the July 1, 2017 rates. Governmental rate changes are effective on July 1st of each year (the beginning of the state fiscal year). The agency is unable to determine the impact to a governmental account or the impact to the entire governmental tax rate schedule because an increase in the governmental account rates are dependent upon the volume of claims charged to the governmental accounts.
 - b. Reimbursable: School districts that have chosen this status with DLI will see increased costs. Reimbursable accounts are charged dollar for dollar for any benefits paid to former employees and are billed monthly. Approximately 90% of the school wages are from reimbursable accounts. The revenues shown in the Fiscal Impact section are from reimbursable employers who will begin making payments to the Unemployment Insurance Trust Fund shortly after the effective date of this bill.
 - c. Experience Rated: These accounts are similar to Governmental accounts except they are for private entities. There will be no impact to the accounts of experience rated employers until calendar year (CY) 2016. Benefits paid from this bill's effective date through September 30, 2015 will become part of the computation process to determine the tax rate schedule for 2016 and could impact the accounts of individual employers. Individual accounts are evaluated annually based on benefits charged and taxes paid and a determination made on whether existing rates will continue or new rates will be imposed for each calendar year. The agency is unable to determine the impact to the entire experience rated tax rate schedule due to the unknown volume of benefits paid and the trust fund balance. The agency is unable to determine the impact to individual accounts because an increase in individual account rates is dependent upon the volume of claims charged to the individual account.
11. Costs by type of employer account and estimated impact on the UI Trust Fund are shown in the following table using assumptions 1 through 4 to calculate the number of employees, and assumptions 5 and 7 through 10 to calculate the benefit payments.

Benefit Payments UI Trust Fund Impact

Program	Total Employees	40% Non-certified (MSBD & MUS actual non-certified)	50% of employees will apply for UI	FY 2015 benefits \$186/week at 3 weeks	FY 2016 benefits \$189/week at 10 weeks	FY 2017 benefits \$192/week at 10 weeks	FY 2018 benefits \$198/week at 10 weeks	FY 2019 benefits \$204/week at 10 weeks
Reimbursable (MSUIP)	29,796	11,918	5,959	\$3,325,122	\$11,262,510	\$11,441,280	\$11,798,820	\$12,156,360
Governmental Univ System	3,500	350	175	\$97,650	\$330,750	\$336,000	\$346,500	\$357,000
Governmental K-12 schools	1,403	561	280	\$156,240	\$529,200	\$537,600	\$554,400	\$571,200
Experience rated – Private schools	1,748	699	350	\$195,300	\$661,500	\$672,000	\$693,000	\$714,000

MT School for Deaf & Blind	97	29	15	\$8,370	\$28,350	\$28,800	\$29,700	\$30,600
Total	36,544	13,557	6,779	\$3,782,682	\$12,812,310	\$13,015,680	\$13,422,420	\$13,829,160

12. For FY 2015, FY 2016, FY 2017, FY 2018, and FY 2019 revenues received by the UI Trust Fund are expected to equal the reimbursable benefits paid.

Revenue UI Trust Fund Impact

	Revenue FY 2015	Revenue FY 2016	Revenue FY 2017	Revenue FY 2018	Revenue FY 2019
Reimbursable	\$3,325,122	\$11,262,510	\$11,441,280	\$11,798,820	\$12,156,360
Total	\$3,325,122	\$11,262,510	\$11,441,280	\$11,798,820	\$12,156,360

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Benefits	\$12,812,310	\$13,015,680	\$13,422,420	\$13,829,160
TOTAL Expenditures	<u>\$12,812,310</u>	<u>\$13,015,680</u>	<u>\$13,422,420</u>	<u>\$13,829,160</u>
<u>Funding of Expenditures:</u>				
Other	\$12,812,310	\$13,015,680	\$13,422,420	\$13,829,160
TOTAL Funding of Exp.	<u>\$12,812,310</u>	<u>\$13,015,680</u>	<u>\$13,422,420</u>	<u>\$13,829,160</u>
<u>Revenues:</u>				
Other	\$11,262,510	\$11,441,280	\$11,798,820	\$12,156,360
TOTAL Revenues	<u>\$11,262,510</u>	<u>\$11,441,280</u>	<u>\$11,798,820</u>	<u>\$12,156,360</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
Other	(\$1,549,800)	(\$1,574,400)	(\$1,623,600)	(\$1,672,800)

Long-Term Impacts:

1. The increased benefit charges may trigger higher contribution rates for governmental and experience rated school employers in the future.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date